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2 THE HONORABLE BRIAN A. TSUCHIDA  
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9  
10 UNITED STATES DISTRICT COURT  
11 WESTERN DISTRICT OF WASHINGTON  
12 AT SEATTLE  
13  
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15 CHRISTOPHER J. HADNAGY, an individual;  
16 and SOCIAL-ENGINEER, LLC, a  
17 Pennsylvania limited liability company,

18 Plaintiffs,  
19 v.  
20 JEFF MOSS, an individual; DEF CON  
21 COMMUNICATIONS, INC., a Washington  
22 corporation; and DOES 1-10; and ROE  
23 ENTITIES 1-10, inclusive,

24 Defendants.

25 No. 2:23-cv-01932-BAT

26 DECLARATION OF KRISTOFER RIKLIS  
27 IN SUPPORT OF PLAINTIFFS'  
28 RESPONSE TO DEFENDANTS' MOTION  
29 TO SEAL

30 I, Kristofer Riklis, declare under penalty of perjury under the laws of Washington State  
31 as follows:

32 1. I am one of the attorneys representing Plaintiffs Christopher Hadnagy and Social-  
33 Engineer, LLC.

34 2. I am over the age of 18, and competent to testify to the matters set forth herein; and  
35 make this declaration of my own personal knowledge.

36 3. Attached hereto as **Exhibit A** is a true and correct copy of the deposition transcript  
37 of Ben Thomas, dated November 4, 2024 with redactions. An unredacted copy of Exhibit A will  
38 be filed under seal in conjunction with this declaration, with the redacted portions of the transcript

39 DECLARATION OF KRISTOFER RIKLIS IN SUPPORT  
40 OF PLAINTIFFS' RESPONSE TO DEFENDANTS'  
41 MOTION TO EXCLUDE EXPERT BEN THOMAS - Page  
42 1

43 CASE NO.: 2:23-cv-01932-BAT

44 FREY BUCK  
45 1200 FIFTH AVENUE, SUITE 1900  
46 SEATTLE, WA 98101  
47 P: (206) 486-8000 F: (206) 902-9660

1 | clearly highlighted.

2       4. Attached hereto as **Exhibit B** is a true and correct copy of SE\_001997, the deal  
3 stats report, and SE\_001998, the guideline transaction summary which were provided to  
4 Defendants' counsel on October 11, 2024 in native format (excel and PDF).

5  
6 I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF  
7 WASHINGTON THAT THE FOREGOING IS TRUE AND CORRECT.

9 DATED this 28th day of March 2025 in Los Angeles, CA.

10 RIKLIS LAW

12 By: /s/ Kristofer Riklis  
Kris Riklis

DECLARATION OF KRISTOFER RIKLIS IN SUPPORT  
OF PLAINTIFFS' RESPONSE TO DEFENDANTS'  
MOTION TO EXCLUDE EXPERT BEN THOMAS - Page  
2  
CASE NO.: 2:23-cv-01932-BAT

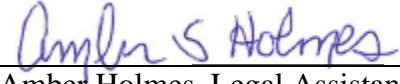
1  
**CERTIFICATE OF SERVICE**

2  
The undersigned certifies under the penalty of perjury according to the laws of the United  
3 States and the State of Washington that on this date I caused to be served in the manner noted  
4 below a copy of this document entitled **DECLARATION OF KRISTOFER RIKLIS IN**  
5 **SUPPORT OF PLAINTIFFS' RESPONSE TO DEFENDANTS' MOTION TO EXCLUDE**  
6 **EXPERT BEN THOMAS** on the following individuals:

7 David Perez, WSBA #43959  
Matthew J. Mertens (Pro Hac Vice)  
8 Lauren A. Trambley (Pro Hac Vice)  
Jacob Dean (Pro Hac Vice)  
Perkins Coie LLP  
1201 Third Avenue, Suite 4900  
Seattle, Washington 98101  
[dperez@perkinscoie.com](mailto:dperez@perkinscoie.com)  
[mmertens@perkinscoie.com](mailto:mmertens@perkinscoie.com)  
[ltrambley@perkinscoie.com](mailto:ltrambley@perkinscoie.com)  
[jacobdean@perkinscoie.com](mailto:jacobdean@perkinscoie.com)

- 13 [ ] Via USPS  
14 [X] Via Electronic Mail  
[X] Via Electronic Filing (CM/ECF)

15 DATED this 28th day of March 2025 at Seattle, Washington.

16   
17 \_\_\_\_\_  
Amber Holmes, Legal Assistant

# Exhibit A

Hadnagy, et al. v. Moss, et al.

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IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WASHINGTON AT SEATTLE

)  
CHRISTOPHER J. HADNAGY, an )  
individual; and SOCIAL-ENGINEERING,) )  
LLC, a Pennsylvania limited )  
liability company, )  
)  
Plaintiffs, )  
v. ) No. 2:23-cv-01932-BAT  
)  
JEFF MOSS, an individual; DEF CON )  
COMMUNICATIONS, INC., a Washington )  
corporation; and DOES 1-10; and ROE )  
ENTITIES 1-10, inclusive, )  
)  
Defendants. )

VIDEOTAPED VIDEOCONFERENCE  
DEPOSITION UPON ORAL EXAMINATION  
OF  
BENJAMIN THOMAS, CPA, CFE

Witness located in Seattle, Washington

(All participants appeared via videoconference.)

DATE TAKEN: November 4, 2024  
REPORTED BY: Nicole A. Bulldis, RPR, FCRR  
                  AZ No. 50955 | CA No. 14441 | WA No. 3384

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1 A. I -- yes, I have been and I am.

2 Q. And what is the American Institute of Certified  
3 Public Accountants?

4 A. It's one of the governing bodies that helps with  
5 the licensing and the credential for the CPA license, but  
6 each state has their own board and I'm technically  
7 underneath the Washington State Board of CPAs.

8 Q. Got it.

9 And do you consider yourself to be an expert?

10 A. I do.

11 Q. What fields do you consider yourself to be an  
12 expert in?

13 A. Primarily, in economic damages and in business  
14 valuation.

15 Q. And do you consider yourself to be an expert in  
16 the security industry, in the information security  
17 industry?

18 A. No.

19 Q. Other than this case, have you ever dealt with  
20 social engineering or any of this type of security  
21 industry?

22 A. Yes. I've dealt with cybersecurity, information  
23 security on a number of other projects.

24 Q. Approximately, how many?

25 A. It's more than a dozen.

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1 Q. You also mentioned that you consider yourself an  
2 expert in business valuation; is that correct?

3 A. Yes.

4 Q. What experience do you have in performing expert  
5 testimony in business valuation cases?

6 A. Go to my CV. I can share a number of cases that  
7 involved business valuation. Most of them involved either  
8 business valuation or economic damages.

9 Q. Approximately, how many of the cases you have  
10 dealt with dealt with business valuation?

11 A. That I've testified on, probably more than 20.

12 Q. Have you ever performed a damages analysis for a  
13 defamation claim prior to this case?

14 A. I have dealt with employment disputes where  
15 reputation has been at issue.

16 Q. So when you say reputation has been an issue,  
17 was there a defamation claim in that case, or was the  
18 damage solely reputational damage?

19 A. I think -- I think it was both. One -- yeah.  
20 The one in particular would've been the Clark County case,  
21 and that involved both reputational harm and defamation to  
22 the plaintiffs for their whistleblowing activities.

23 Q. And when I ask you about defamation cases, you  
24 responded by saying you've dealt with reputation damages.

25 Why did you say reputation damages when I asked you about

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1 Q. Got it.

2 And you did not use that methodology for this  
3 case; correct?

4 A. I did not look at corrective -- I didn't deal  
5 with it specifically as corrective advertisement. I've  
6 seen that there were PR expenses that were incurred that  
7 did not appear to have improved the financial performance  
8 of the business.

9 Q. And you also mentioned -- I think it was the  
10 last one -- the methodology is the diminution in value.  
11 What is diminution in value?

12 A. Right. It can be either complete loss or a  
13 component of your revenue stream and your profit stream  
14 that has been diminished and you can calculate that as a  
15 lost value component.

16 Q. And you did not use that methodology in this  
17 case; correct?

18 A. No, I did. That's -- that's the second part of  
19 the calculation here where we're looking at the lost  
20 value. You know, the business, as I see it, has performed  
21 poorly in 2022 and 2023 post-event, and, you know, there's  
22 a potential that the future economic damages could be --  
23 it's a complete loss of business income.

24 Q. Got it.

25 So you used the diminution of value methodology

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1           A.    Correct.

2           Q.    So your damage analysis starts from  
3 February 9, 2022, and goes through, I believe, end of  
4 2024; is that right?

5           A.    Through the end of 2023 --

6           Q.    Yeah, 2023.

7           A.    -- for lost earnings component. And then lost  
8 value would be assuming -- under the assumption that the  
9 business can no longer be a going to concern and looking  
10 at the lost business value as well.

11          Q.    Got it.

12          So your analysis does not include any damages  
13 from January 1st to February 9, 2022; correct?

14          A.    Sorry. January 1st, say that again?

15          Q.    Your damages analysis that you provided in this  
16 report does not include damages from January 1st to  
17 February 9, 2022; correct?

18          A.    Correct, yes. That first period, right.

19          Q.    Because damages during that time frame would be  
20 improper; right?

21          A.    It would've been prior to the issuance of the  
22 February 9, 2022, report.

23          Q.    Got it.

24          Were you instructed by counsel to make any  
25 assumptions when preparing this report?

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1           A.     No.

2           Q.     Okay. Did you make any assumptions when  
3 preparing this report?

4           A.     The only assumption, which is typical for an  
5 expert to make, is assuming the liability.

6           Q.     And what do you mean by assuming liability?

7           A.     My report and the calculations in my report and  
8 my schedules are based on the premise that liability would  
9 be found against the defendants and that has caused the  
10 economic harm.

11          Q.     Okay. Did you do any independent analysis to  
12 determine whether any of the alleged conduct actually did  
13 cause harm to Mr. Hadnagy?

14          A.     Right. So that's where -- as a financial  
15 expert, it's not my role to determine the liability in a  
16 case, but I can see from -- that there is a link between  
17 the time -- the time frame of when the events occurred and  
18 the negative financial performance of the business.

19          Q.     What do you mean by that?

20          A.     So we have the events of February 9, 2022, the  
21 release of the transparency report, as well as the  
22 subsequent update in January 13, 2023. And prior to that,  
23 prior to those two periods, 2022 and 2023, the business  
24 was profitable. Mr. Hadnagy had income. After that,  
25 those two events in 2022 and 2023, the business was not

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1 profitable and Mr. Hadnagy did not have income.

2 Q. Okay. So prior to February 9, 2022, you just  
3 looked at the numbers for Mr. Hadnagy's businesses;  
4 correct?

5 A. For his business as well as his personal tax  
6 return.

7 Q. You didn't review any of Mr. Hadnagy's contracts  
8 or potential contracts prior to 2022; correct?

9 A. I have a list of contracts that allegedly have  
10 been impacted by the events, and some of them start prior  
11 to February 2022.

12 Q. Well, my question is different. My question  
13 wasn't whether you had a list of alleged contracts. My  
14 question is whether prior to February 9, 2022, you,  
15 yourself, analyzed any contracts or potential contracts  
16 Mr. Hadnagy had or Social-Engineering had with respect to  
17 his business.

18 A. Again, I've reviewed that spreadsheet that  
19 details out certain contracts and certain contracts that  
20 were impacted, and those contracts began prior to  
21 February 2022. And so I can see from -- or I can glean  
22 from that, that, you know, there's contracts that come in  
23 and go out on an annual basis. And so I -- from that  
24 perspective, I have analyzed the contracts, but I haven't  
25 reviewed specific contracts.

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1 increase from [REDACTED] in 2018, up to [REDACTED]  
2 in 2021.

3 Q. Do those contracts tell you how many contract --  
4 or, let me rephrase that question.

5 Do those numbers that you just referenced tell  
6 you how many contracts were gained or lost that year?

7 A. Not specifically, no.

8 Q. Do those -- do those numbers tell you why  
9 contracts were gained or lost?

10 A. I can see that the business was growing during  
11 that pre-loss event period.

12 Q. That wasn't my question. My question was: Do  
13 the numbers tell you why a contract was gained or lost  
14 during those periods?

15 MR. RIKLIS: Object to form.

16 THE DEPONENT: It doesn't tell me  
17 specifically why they are gained or lost, but I can tell  
18 overall that the company was growing from 2018  
19 through 2021.

20 Q. (By Mr. Dean) And sitting here today, you don't  
21 know why Mr. Hadnagy or Social-Engineering gained or lost  
22 contracts from 2017 to 2024; correct?

23 MR. RIKLIS: Objection to form.

24 THE DEPONENT: Again, I have the review of  
25 the historical financial performance of the business where

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1 it is a growing business prior to the -- what I'm going to  
2 call the loss event.

3 Q. (By Mr. Dean) Yeah. My question isn't whether  
4 you're looking at numbers that say whether something is --  
5 revenue is going up or down. My question is pretty  
6 pointed.

7 It's: You don't actually know why contracts  
8 were gained or lost from 2017 to 2024; correct?

9 MR. RIKLIS: Objection to form.

10 THE DEPONENT: Specifically, gained or  
11 lost, correct. I don't know the exact underpinnings of  
12 why a contract is -- stays or leaves specifically, but I  
13 can tell from the financial performance that they had  
14 positive growth prior to the loss event.

15 Q. (By Mr. Dean) And contracts could have been lost  
16 by Mr. Hadnagy for a multitude of reasons; right?

17 A. Hypothetically.

18 Q. It could be because Social-Engineering or  
19 Mr. Hadnagy's quality of work; correct?

20 MR. RIKLIS: Objection to form.

21 THE DEPONENT: Well, again, prior to the  
22 loss event, the company had had overall growth from  
23 [REDACTED] to about [REDACTED].

24 Q. (By Mr. Dean) So the answer was you do know or  
25 you don't know?

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1 payroll is increasing over time.

2 Q. Did you review the emails where Mr. Hadnagy was  
3 telling his employees that he's getting feedback from the  
4 companies that the reports are really bad and that these  
5 people should essentially be fired because of their work  
6 performance?

7 MR. RIKLIS: Objection to form.

8 Q. (By Mr. Dean) You haven't seen those documents?

9 A. I haven't seen anything.

10 Q. You haven't seen those documents?

11 A. No.

12 Q. You should read them. It'll definitely be in  
13 our motion.

14 So you didn't -- you didn't actually investigate  
15 the performance issues; correct?

16 MR. RIKLIS: Objection. Form.

17 THE DEPONENT: Yeah. I think we talked  
18 about this quite a bit. Again, I'm making the assumption  
19 that --

20 Q. (By Mr. Dean) Yeah.

21 A. -- due to the release of the transparency  
22 report, that has caused the decline in the financial  
23 performance of the business. And I can see prior to the  
24 release, the company was on a growth path with  
25 profitability. And post-event, there are declining

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1 revenues as well as they are incurring losses.

2 Q. (By Mr. Dean) Got it.

3 Let's go back to your report, Exhibit 1,  
4 Paragraph 7. You say it's your opinion that economic  
5 damages are about [REDACTED], and then you break it down  
6 and you say it's comprised of about [REDACTED] for past lost  
7 income and about [REDACTED] for lost business value. Do  
8 you see that?

9 A. I do.

10 Q. The [REDACTED] and [REDACTED], are those  
11 attributable to different plaintiffs here, or is it -- are  
12 they being combined? Like, how are you differentiating  
13 that?

14 A. Right. You know, like I discussed earlier,  
15 Social-Engineering and Mr. Hadnagy are intertwined, right?  
16 Like, he's the owner of the business, and the business is  
17 a passthrough through to him on his personal tax returns  
18 so I'm viewing them as one and the same.

19 Q. If they're one and the same, then why are you  
20 doing both damages and not just one?

21 A. Well, I think there's a component where you  
22 have -- we have income that's being reported on his  
23 taxable -- in his personal tax return that shows about [REDACTED]  
24 being derived from the business. I can see that -- the  
25 decline in the business on the Schedule C inside his

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1 personal tax return as well. And so that -- there's a  
2 period of time where you can see he was making [REDACTED],  
3 about [REDACTED] every year in 2020 and 2021, and then  
4 come 2022, he has a loss of [REDACTED] associated with  
5 Social-Engineering. And, again, in the next year, he had  
6 a loss of about [REDACTED], related to  
7 Social-Engineering.

8 Q. So why do you get the lost business value and  
9 lost income, I guess, is my question.

10 A. Well, you have a period of time from the date of  
11 the event through end of 2023 where he is incurring  
12 measurable lost income that we can find here at the  
13 [REDACTED], as well as there's a potential that due to the  
14 continued losses of the business this cannot go on into  
15 perpetuity and be a going concern anymore and,  
16 essentially, effectively he's lost his business and that's  
17 the lost value component.

18 Q. So you say he's lost his business, but you also  
19 say there's a potential. So was the business destroyed or  
20 is your opinion that it might be destroyed?

21 A. Right. So my understanding is, you know, it's  
22 still operating but at losses, you know, in 2022 and 2023.  
23 I received the balance sheets, as well, after the issuance  
24 of my report, and I can tell that it wasn't until after  
25 the loss event that they had negative book value as well

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1 as negative equity on the books. Prior to that, they had  
2 positive equity, and so it -- I think when I review it  
3 from a financial perspective, there is question that this  
4 will be a going concern business and, therefore, there's a  
5 potential that it could be lost value.

6 Q. So what's the year of the destroyed business  
7 where you get the loss value?

8 A. Right. So it would be into -- that's --  
9 business value is the look of the future cash flows.  
10 Right? Inability to generate those future cash flows, and  
11 so we base it off of prior -- the revenue prior to the  
12 event. He was right at [REDACTED], and I valued it  
13 at -- at more of, like, using that metric, that financial  
14 statistic of the company by a revenue multiplier to arrive  
15 at the lost value.

16 Q. All right. I'm still not quite following. I  
17 think it will make sense when we get into the numbers as  
18 we go down this report. I think that'll be probably the  
19 best way to -- to go about that.

20 You have in here an Exhibit 2 in your report  
21 that lists all the documents you reviewed. Is that all  
22 the documents you reviewed in this case?

23 A. It is, and for the issuance of the report.  
24 Again, I received additional information in early October,  
25 and I can tell you what those are related to balance

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1 sheets from 2017 through 2023, the 2023 tax return,  
2 the 2021 tax return, the '16 tax return, and '18 tax  
3 return.

4 MR. DEAN: Give me one second.

5 (Pause in the proceedings.)

6 Q. (By Mr. Dean) Okay. Paragraph 12, you say, "It  
7 is alleged that plaintiffs have suffered economic damages  
8 in the form of lost income, extra expenses related to  
9 public relations and legal expenses, and lost business  
10 value due to the actions of plaintiffs [sic]."

11 Do you see that?

12 A. I do.

13 Q. Okay. Who had lost income? Which plaintiffs?

14 A. Ultimately, it's going to be Mr. Hadnagy.

15 Right? Like, you know, the -- the profits that are  
16 generated from Social-Engineering flow through to him  
17 personally.

18 Q. Got it.

19 And then you also say that there's extra  
20 expenses for public relations and legal expenses. Do you  
21 see that?

22 A. I do.

23 Q. Are those recoverable as damages?

24 MR. RIKLIS: Objection. Form.

25 THE DEPONENT: Potentially.

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1 Q. (By Mr. Dean) Okay. So are you aware of the  
2 American rule for recovery of attorneys' fees or legal  
3 extensions?

4 A. Not the specifics, no.

5 Q. Do you know when attorneys' fees are recoverable  
6 as a matter of law?

7 MR. RIKLIS: Objection. Form.

8 THE DEPONENT: Again, I don't know the  
9 specifics.

10 Q. (By Mr. Dean) So you -- sitting here today, you  
11 don't actually know whether legally attorneys' fees are  
12 recoverable as damages; correct?

13 MR. RIKLIS: Objection. Form.

14 THE DEPONENT: Again, I don't know the  
15 specifics.

16 Q. (By Mr. Dean) And you're just assuming or  
17 speculating that damages for attorneys' fees or public  
18 relations costs would be recoverable damages; correct?

19 MR. RIKLIS: Objection. Form.

20 THE DEPONENT: I'm not necessarily saying  
21 that. I can see that, you know, they're -- an increased  
22 expense is being incurred in 2022 and 2023 that weren't at  
23 those levels prior.

24 Q. (By Mr. Dean) Do you know whether Def Con sued  
25 Mr. Hadnagy or had Mr. Hadnagy sued Def Con?

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1                 THE DEPONENT: I can see that there's  
2 increased costs for professional fees, you know, in their  
3 line items on their operating expenses.

4                 Q. (By Mr. Dean) And all of the increases in  
5 operating expenses, those are all tied to Def Con?

6                 A. So the way that I look at this is that, yeah,  
7 the business was performing profitably prior to the  
8 issuance of the releases of the transparency report and  
9 the update. And my understanding in talking to  
10 Mr. Hadnagy is that, yes, they had to increase certain  
11 expenses to try to maintain their business operations and  
12 to continue operating as best they could given the loss of  
13 contracts, the inability for extensions, as well as some  
14 of their more profitable work like speeches and things  
15 like that were -- he was not able to generate those  
16 activities like he had been in the past.

17                 Q. Got it.

18                 But you didn't do any actual analysis to  
19 determine whether that was correct; right?

20                 A. I can see it in the financial performance of the  
21 company.

22                 Q. Yeah.

23                 A. Historically, they were growing and then they  
24 decreased afterwards and they were not profitable in '22  
25 and '23.

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1 Q. Perfect. Let's go on to Schedule 2 of your  
2 report, operating expenses. Let's go to advertising and  
3 marketing. You'll see that in 2020, he had [REDACTED], or the  
4 company had [REDACTED] in advertising and marketing; correct?

5 A. I can see that.

6 Q. And in 2021 went down to [REDACTED]?

7 A. Yup.

8 Q. And then 2022 went to about the same amount of  
9 costs as it was in 2020; correct?

10 A. Correct.

11 Q. Okay. So how, sitting here today, can you say  
12 that that \$[REDACTED] increase was attributable to Def Con or  
13 Mr. Moss?

14 A. Well, again, you know, I look at that -- that  
15 is -- as a percent of revenue is actually lower in 2022  
16 than it was historically, say, 2020, at [REDACTED] percent versus  
17 prior to that at [REDACTED] percent. So, you know, I don't  
18 really necessarily see that as a true increase of \$[REDACTED]  
19 as you're just going to say there are damages. I don't  
20 view it that way.

21 Q. Got it.

22 So you're not able to say that this extra [REDACTED]  
23 is attributable to Def Con; is that fair?

24 MR. RIKLIS: Objection. Form.

25 THE DEPONENT: Again, it's the continued

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1 related to Def Con --

2 A. That's not --

3 Q. -- Jeff, Moss, or the release of the  
4 transparency report; right?

5 MR. RIKLIS: Objection.

6 THE DEPONENT: That's not -- that's not  
7 exactly how I view it. Right? I see that some of them  
8 are going to be directly tied to the event, the release of  
9 the transparency report and could be more easily linked  
10 and identifiable to that release to that event and others  
11 are going to be what appear to be more normal business  
12 operating expenses but are also going to be impacted by  
13 this issue as the revenues are not increasing or going  
14 down as expected or not going up as expected but they're  
15 actually going down. And you have these costs that are  
16 being incurred and you're not being able to generate a  
17 profit.

18 Q. (By Mr. Dean) So let me ask you something. I'm  
19 not good with numbers, you are, or at least purportedly  
20 you are. Going to net revenue up here, you'll see that it  
21 says a number and above it is a growth. If I'm reading  
22 this correctly, that would mean from 2018 to 2019, there  
23 was an 11 percent decrease in the growth of revenue; is  
24 that right?

25 A. I see that.

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1 Q. (By Mr. Dean) Do you understand you're still  
2 under oath?

3 A. I do.

4 Q. Okay. Did you look at the line items for public  
5 relations and professional fees when preparing your  
6 report?

7 A. Yes, I can see those line items.

8 Q. Did you look at the support to see what those  
9 numbers were comprised of, or did you just base that off  
10 of numbers provided by Mr. Hadnagy?

11 A. Based off of the numbers that were provided and  
12 the financial statements.

13 Q. Do you know whether those professional fees -- I  
14 guess let me back up.

15 Professional fees. What do you mean by  
16 professional fees?

17 A. Right. The way I look at that or the way that I  
18 view that is those are the increased legal fees.

19 Q. Okay. So in 2021, there was █ -- let's call it  
20 \$█ in professional fees versus █. Did -- when  
21 you looked at this, did you just assume all █ were  
22 for Mr. -- or for Mr. Moss and Def Con or did you somehow  
23 portion it out to prior legal fees?

24 A. No. I would say that, you know, there's going  
25 to be increased costs associated with professional fees

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1 and public relations; that those total [REDACTED] for  
2 professional fees in 2022, and [REDACTED] in -- for public  
3 relations in 2023.

4 Historically, there has been a level of  
5 professional fees that are related to operating the  
6 business, and so, yes, there would be a normal continuing  
7 expected level of professional fees in 2022 and in 2023.

8 Q. But in this context, you attributed all [REDACTED]  
9 to Def Con and Mr. Moss; correct?

10 A. No.

11 Q. You did not?

12 A. I did not.

13 Q. Okay. How much did you attribute to Def Con and  
14 Mr. Moss when you did your but for analysis in the lost  
15 income, Paragraphs 18 to 21, of your report?

16 A. Right. So, historically, Mr. Hadnagy has been  
17 able to generate [REDACTED] from the business, which  
18 includes -- which is comprised of all the expenses --  
19 right? -- including some level of professional fees. I  
20 didn't look at it specifically. Historically, they spent  
21 [REDACTED] or, I mean, depending on what years you want to  
22 look at, say, [REDACTED] on average. I didn't look at  
23 it specifically that way for professional fees, but we did  
24 just see and call out that there was an increase in  
25 professional fees and public relations in 2022 and 2023.

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1 [REDACTED] in 2021 -- that you're ultimately using in your but  
2 for analysis; is that right?

3 A. Correct.

4 Q. Okay. Now, I want to take 2020 as an example  
5 because I want to make sure I understand how you're  
6 getting Social-Engineer costs versus the total income in  
7 other things that he's doing.

8 So you go up, you'll see for the total business  
9 income loss line, that's where you'll see the [REDACTED]. Do  
10 you see that?

11 A. I do.

12 Q. So is it fair to say that the income for  
13 Social-Engineer in 2020 is comprised of business income  
14 from Social-Engineer, LLC, and SEVillage LLC?

15 A. Correct.

16 Q. Okay. And then [REDACTED], what is this number  
17 comprised of for Social-Engineer -- excuse me -- LLC?

18 A. It's comprised of the overall -- that income of  
19 the business.

20 Q. Where is that in Schedule 2 showing the net  
21 income for 2020 to get that number?

22 A. Maybe the operating income of [REDACTED].

23 Q. I'm seeing [REDACTED]. Operating income [REDACTED] for 2020.  
24 Do you see that as well?

25 A. I do.

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1       '23.

2           Q. Is that typical to add your spouse's income for  
3       reputational damages?

4           A. I'm looking at all of the activity in the  
5       economic benefit that's being generated on his personal  
6       tax return from Social-Engineering. Yeah. Another way to  
7       look at it would be just to remove it in '21, '22, and '23  
8       and damages would actually go up.

9           Q. Well, what's the correct way?

10          A. I think the way that I did it is a correct way  
11       to do it. To go about it is to look at the total economic  
12       benefit that's being generated from the business that he's  
13       the owner of on his personal tax return. Historically,  
14       it's been [REDACTED] in 2021. It was [REDACTED], inclusive of  
15       those wages. You know, I -- I could see it being  
16       calculated the -- another way as well where you just say  
17       those expenses are not his or those wages are not his, and  
18       you could remove them, and, ultimately, the losses would  
19       be greater in 2022 and 2023.

20          Q. So you said, historically speaking, his wages  
21       have been [REDACTED]. But historically speaking, if you look  
22       at [REDACTED] all the way through in 2017 to the [REDACTED]  
23       in 2021, and you average those, wouldn't that be \$[REDACTED],  
24       not \$[REDACTED]?

25          A. So what years are you trying to average?

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1 Q. Yeah. You said historically speaking, he makes  
2 \$ [REDACTED] a year; is that fair?

3 A. In 2020 and 2021, from -- the economic benefit  
4 from Social-Engineering has been right around [REDACTED] -- so  
5 [REDACTED], [REDACTED].

6 Q. So let's stop there, 2020 and 2021. You -- you  
7 say because he made [REDACTED] and [REDACTED] in 2020 and 2021, that he  
8 makes [REDACTED] a year for your but for analysis; right?

9 A. Correct.

10 Q. But you didn't average those numbers; correct?

11 A. I did not average them, no.

12 Q. If you averaged them, it would be about [REDACTED];  
13 fair?

14 A. Which would round to [REDACTED].

15 Q. So you're kind of using, like, the -- for lack  
16 of a better term, like, "thumb to the tongue, this sounds  
17 about right, [REDACTED]," to come up with that but for number;  
18 right?

19 MR. RIKLIS: Objection. Form.

20 THE DEPONENT: I'm not, no. I mean, you're  
21 right that the average is \$ [REDACTED].

22 Q. (By Mr. Dean) Then why not use --

23 A. That's approximately [REDACTED].

24 Q. Then why not use [REDACTED]?

25 MR. RIKLIS: Objection. Form.

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1                   THE DEPONENT: He has -- he's been able to  
2 generate [REDACTED] in one year and [REDACTED] in another. The  
3 business was expected to grow in 2022. Revenues actually  
4 did slightly in 2022. I know it wasn't to the level that  
5 was expected, so I -- I selected [REDACTED].

6                   Q. (By Mr. Dean) But why not the average? Why not  
7 the historical average? Why just [REDACTED]? Is it because it  
8 was a round number?

9                   MR. RIKLIS: Objection. Form.

10                  THE DEPONENT: Again, I rounded to 250.

11                  Q. (By Mr. Dean) Got it.

12                  So you used \$[REDACTED] because it's a round  
13 number; right?

14                  MR. RIKLIS: Objection. Form.

15                  THE DEPONENT: If I take the average and --  
16 the rounded average of those two, it's [REDACTED]

17                  Q. (By Mr. Dean) So you're not using exact numbers  
18 in your damages report. You're using rounded numbers in  
19 your damages report.

20                  MR. RIKLIS: Objection. Form.

21                  THE DEPONENT: Again, no. I mean, I think  
22 you have -- looking at the historical profitability, you  
23 know, achieving roughly [REDACTED] in 2020, [REDACTED] in 2021,  
24 the average, like you said, to [REDACTED], I rounded it to  
25 [REDACTED]

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1 You said he had an actual loss of [REDACTED], so that gives  
2 you a lost income of [REDACTED]; correct?

3 A. Correct.

4 Q. And that is essentially the [REDACTED] plus the \$ [REDACTED]  
5 that's the loss that gives you that [REDACTED]?

6 A. It is.

7 Q. Okay. So that includes damages from  
8 January 1, 2022, to February 10, 2022; correct?

9 A. I don't necessarily see it that way. I mean,  
10 it's not abnormal to say, you know, that an individual is  
11 impacted at some point in 2022 and we're going to look at  
12 the full year of but for earnings less actual to arrive at  
13 the damages.

14 Q. You didn't do any formula to say, Well, here's  
15 what it was for the entire year. Let's go for however  
16 many days is in the year to kind of break it down from  
17 that February 9th going forward?

18 A. I did not do that.

19 Q. Got it.

20 Going back now to the lost value -- lost  
21 business value. We were talking about Paragraph 27, and  
22 you said, "Yeah. You'd have to kind of assume that there  
23 was a complete destruction." So before we get there, I  
24 want to go back through some of these preceding  
25 paragraphs.

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1           Paragraph 23, you talk about the three different  
2 approaches that were considered. What were the three  
3 different approaches that you actually considered for the  
4 lost business value?

5           A. Right. So in business valuation, there's three  
6 approaches that our profession has agreed upon. You have  
7 the income approach, the market approach, and the cost  
8 approach, and all three of those were considered.

9           Q. And what do you mean by they were considered?

10          A. That -- that I considered them. That I said,  
11 hey, we -- I thought about the cost approach and said  
12 that's not the appropriate measure of value. I thought  
13 about the income approach and said, you know, that -- I'm  
14 going to -- I think it's better measured by the market  
15 approach, in this case, given the fact that I'm going to  
16 take revenue and a multiplier to derive that value that --  
17 the market value of the business.

18          Q. What is the cost approach?

19          A. The cost approach would be taking the balance  
20 sheet and marking all the assets and all liabilities to  
21 market including the intangibles. And in this case, the  
22 intangibles are more valuable because they're generating  
23 cash flow for the business. That's deriving the value and  
24 generating the revenue; whereas, the assets of the  
25 business, say, as like cash, AR, are not necessarily

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1 driving the -- the revenue or the -- the cash flow.

2 Q. Did you review any documents when determining  
3 whether you should use the cost approach?

4 A. The cost approach would not be appropriate for a  
5 professional services firm like this.

6 Q. Why would it not be appropriate?

7 A. I just explained that the assets that are on --  
8 reported on the balance sheet for a professional services  
9 firm are not the cash-generating assets of the business.  
10 It's more the intangible assets, the people, the brand,  
11 the reputation, the customer list, the contacts. Those  
12 items are what's creating the cash flow.

13 Q. Did you run an analysis under this approach or  
14 are you just saying, "No, cost approach doesn't work for  
15 professional services"?

16 A. In this case, we have a business that is  
17 operating and generating revenue, generating historical  
18 cash flows. The cost approach in this circumstance is not  
19 appropriate.

20 Q. Do you know whether an analysis under this  
21 approach would've resulted in higher or lower damages than  
22 the market approach?

23 A. It would be very hard to determine without using  
24 a hybrid with an income and a market approach to value  
25 those intangible components that are not shown on the

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1 balance sheet.

2 Q. And you did not do that; correct?

3 A. I think that the way that you would even go  
4 about doing that is -- is just not appropriate for this  
5 type of business.

6 Q. Yeah. I'm just trying to understand, you know,  
7 you said you considered it. Because for me, if I consider  
8 something, I'm going to go through and do an analysis of  
9 each and look to see what's more accurate. It sounds like  
10 what you were saying is you considered all three  
11 approaches, but you wouldn't have used the cost approach  
12 because you don't use it here. So it sounds to me like  
13 your consideration is essentially: Do I use the cost  
14 approach? No, it didn't work here.

15 And was that what you did when you considered or  
16 did you do something different?

17 MR. RIKLIS: Objection. Form.

18 THE DEPONENT: Again, I answered this  
19 already. The cost approach isn't appropriate for this  
20 type of business. And given the facts and circumstances  
21 that we have here where we have a business that is  
22 generating revenue and cash flow off of its assets, its  
23 assets are not what you're going to see on the balance  
24 sheet that are -- it's not going to be the cash or AR or  
25 the computers even that are necessarily deriving that

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1 value. It's going to be more of the intangible peak  
2 components.

3 Q. (By Mr. Dean) You can say I've said this a bunch  
4 of times already. I'm still going to keep asking the  
5 question because I still haven't received an answer.

6 When you say you considered the cost approach,  
7 did you just consider should I do this and say, "No, I  
8 shouldn't. It's not appropriate," or did you do any type  
9 of analysis to determine it was not appropriate?

10 A. I reviewed --

11 MR. RIKLIS: Objection. Form.

12 THE DEPONENT: I reviewed the income  
13 statements of the business. Again, I saw that the  
14 revenues were increasing. I was able to review the cash  
15 flows of the business. And reviewing that and considering  
16 that, the cost approach is not appropriate.

17 Q. (By Mr. Dean) Got it.

18 So you looked at the cost and the cash flow and  
19 said, "Cost approach isn't appropriate here."

20 MR. RIKLIS: Objection. Form.

21 THE DEPONENT: It's not appropriate here.

22 Q. (By Mr. Dean) If you think of anything else you  
23 did in considering this approach, feel free to interrupt  
24 me and tell me.

25 Going on to the income approach, what is the

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1 income approach?

2       A. The income approach is going to look at the cash  
3 flows of the business and its cash-generating ability and  
4 it's going to arrive at a sustainable cash flow level and  
5 project that out into the future and discount it at an  
6 appropriate risk-adjusted discount rate; or if you're  
7 looking at a single-period cash flow, you're going to use  
8 a capitalization rate to derive that value.

9       Q. What do you mean by cash flow?

10      A. The cash flow that's being generated from the  
11 business. So it's going to be the -- I mean, an economic  
12 or business evaluation practice, in theory, you're looking  
13 at a Gorgon Growth Dividend Model where you're looking  
14 at -- let's just say a capitalization method where you're  
15 looking at historical. He has been able to generate, say,  
16 250, and profitability from the business and you say,  
17 "Okay. Well, I'm going to the risk adjust those cash  
18 flows," assuming that they're going to be able to continue  
19 and derive that value.

20      Q. And did you perform that analysis here?

21      A. I have done some of those calculations on my end  
22 to look at the capitalization of earnings method.  
23 Ultimately, I selected the market approach as just being a  
24 method that is appropriate to use in this case.

25      Q. When you performed your analysis under the

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1 income approach, were the damages higher or lower than the  
2 market approach?

3 A. It would just depend on how you assess the risk  
4 and the discounting for the discount rate. If you're  
5 using, say, a cost of equity of 15 percent, it's going to  
6 be higher. If you're using a cost of equity of, say, I  
7 don't know, [REDACTED] percent, you're going to be right  
8 around the [REDACTED] mark. So I'm thinking it just  
9 depends. Ultimately, I didn't select this method. I  
10 think that the market approach is a sufficient way to go  
11 about deriving the value for this business. Looking at  
12 market transactions that are comparable and using that --  
13 the multiples from those selected transactions against the  
14 financial statistics that we have for Social-Engineering  
15 based off of the revenue.

16 Q. And why is the income approach not appropriate?

17 A. I wouldn't say it's necessarily not appropriate.  
18 It's just I didn't select it. I selected the market  
19 approach.

20 Q. Did you actually perform an analysis under it,  
21 or did you just do some numbers and say, "I think the  
22 market approach is better"?

23 MR. RIKLIS: Objection. Form.

24 THE DEPONENT: No. I didn't necessarily  
25 say it's better. I just -- it's a -- it's a method that I

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1 did select versus running a capitalization of earnings  
2 method.

3 Q. (By Mr. Dean) Did you run the capitalization of  
4 earnings method with respect to Mr. Hadnagy's or  
5 Social-Engineer's damages in this case?

6 A. I haven't formalized a calculation, no. I have  
7 calculations on my end where I -- we absolutely have the  
8 model set up where we can test it and see what the value  
9 could be under various approaches.

10 Q. Did you build that out for this case?

11 A. Yes. I have -- I have those types of  
12 calculations. I don't have anything formalized, though.

13 Q. Did you produce those?

14 A. I can.

15 Q. What was the damages that you got when you  
16 performed that method?

17 A. Right. I mean, it could be, you know, right  
18 now, the one that I'm looking at if I -- it just depends  
19 on how you assess the risk -- right? -- of those cash  
20 flows if I -- I'm at [REDACTED].

21 Q. And you said that there was different --  
22 different variables or different things you can do. You  
23 ran multiple. Can you tell me what those damages were?

24 A. Yeah. Absolutely. I mean, I'm just -- you  
25 know, look at the risk, the discount rate, the cost of

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1 equity, and we assume a different risk profile to these  
2 cash flows. But, you know, in this case, we have a  
3 business that's increasing its revenue year over year. It  
4 had [REDACTED] in profitability, so I think  
5 the expectation was growth. And so, you know, maybe a  
6 capital earning wouldn't necessarily capture all that  
7 growth into the future. So if I, say, you know, risk  
8 adjust to give it a [REDACTED] basis point, something like that,  
9 you're down to [REDACTED].

10 Q. And the last approach is the market approach,  
11 and you said that you felt this was the best approach  
12 here; correct?

13 A. It was the one that was selected, yes.

14 Q. Why did you select this approach?

15 A. I think it's one that -- for a lot of reasons.  
16 One, you know, there are comparable transactions that I  
17 could go out and identify from maybe our deal status for  
18 small privately held companies that are similar, have  
19 similar characteristics as Social-Engineering's  
20 economically as well as just the description of their  
21 business. And, you know, I had sufficient transactions,  
22 14 in total, that provided a range of multiples to use,  
23 and I selected the revenue multiple as being an  
24 appropriate one to derive the value.

25 MR. DEAN: Got it. Let's take a

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1 sitting here today, is the business worth zero and he's  
2 entitled to all [REDACTED] or has that changed or is that  
3 fluid? Kind of where are we with what he gets?

4 MR. RIKLIS: Object to the form.

5 THE DEPONENT: Again, this is the potential  
6 loss of the business assuming there's zero value today or  
7 that it will go down at some point in the future. And you  
8 can see that in the financial performance, that they are  
9 generating losses and the balance sheet showing for the  
10 first time that they have a negative equity position and  
11 they've taken on debt, which they historically haven't  
12 done. So I think there -- there's indications of it  
13 heading that way, but, yes, I would say that it could  
14 change. And if the business improves for some reason or  
15 doesn't go under, then that value could change.

16 Q. (By Mr. Dean) What's the value of the business  
17 today?

18 A. I haven't done a valuation of the business  
19 today. You know, we're assuming under this premise that  
20 the value would be zero. It would go away. The business  
21 would be lost.

22 Q. And what's that assumption based off of?

23 A. Again, based off of the financial performance  
24 after the issuance of the transparency report where  
25 they're generating losses year over year in '22 and '23.

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1 1.6, the -- or, sorry -- the 75th percentile is 2.7, and  
2 the high was 3.9 multiples. I -- you know, based off of  
3 my discussions with Mr. Hadnagy, the business is --  
4 doesn't necessarily have, like, a software or like a  
5 software-as-a-service-type thing, which would typically  
6 increase your multiple, and they're more on the  
7 traditional consulting -- information consulting side.  
8 And due to that, I selected the lower -- towards the lower  
9 end of the multiples.

10 Q. And what were you using to determine the  
11 multiple? I mean, what are the comps?

12 A. Right. So I provided the comps. There's 14  
13 transactions from 2010 through 2017. Sorry, 2023 would be  
14 the more recent ones. And looking at the description of  
15 the businesses that were being acquired as well as looking  
16 at their -- their revenue and profitability and size and  
17 things like that, some were larger than we have here and  
18 some were smaller. So you have -- taking that into  
19 consideration, but there's 14 within the information  
20 security, security solutions, and consulting industry.

21 Q. What parameters did you use or metrics did you  
22 use to determine these comps? And if you don't understand  
23 what I mean, I can explain.

24 A. Yeah. No, I searched with -- inside NAICS codes  
25 for information technology, searching specifically for

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1 security within that, looking for transactions greater  
2 than 2010, looking for companies that had sales between  
3 half a million and 100 million, looking for transactions  
4 that occurred within the United States, and from that,  
5 selecting the ones based off the descriptions that were  
6 the most comparable to Social-Engineering, and  
7 specifically, just in the information security industry  
8 for a description.

9 Q. You said that you selected those that were most  
10 comparable, so does that mean that you excluded comps when  
11 you ultimately decided on that 14 comps or however many  
12 you said that you used?

13 A. Yes, there were certain comps that were  
14 deselected. I would have to go specifically back into the  
15 database to see which ones were deselected, but they  
16 would've -- just either if there's -- when you do these  
17 searches, there are some that are just totally irrelevant.  
18 You know, there might be a tanning salon ends up in here  
19 for whatever reason just because they have the NAICS code.  
20 So things like that, just going through, making --  
21 removing those particular ones. There could be some that  
22 are, you know, related to -- I don't know -- military and  
23 things like that, so there are certain things like that  
24 that might be removed.

25 Q. Do you recall which companies you removed?

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1       A. I have the list of the transactions that were  
2 excluded and I can absolutely find them.

3       Q. After you excluded those entities, did you do  
4 anything to find additional entities to add to the final  
5 list?

6       A. No. The 14 that were selected were sufficient.

7       Q. Okay. Why did you use entities from 2010, which  
8 were about 14 years ago, or I guess at the point you did  
9 your math, it'd be 12 years prior?

10      A. Yeah. So, I mean, this is -- in my mind, yeah,  
11 that's relatively recent. I wouldn't call that a stale  
12 transaction. In some industries, it doesn't matter how  
13 old you go or how far back you go in time. They could  
14 always transact at one multiples, not -- you know, and be  
15 more driven off of the earnings and the revenue of a  
16 company versus the multiple.

17      Q. I am not great at math, but I did the equation  
18 on Paragraph 27 of your report, 1-point -- or [REDACTED]  
19 times [REDACTED], and I did not get [REDACTED]. I got [REDACTED], so what am  
20 I doing wrong in my equation?

21      A. The multiples I provided, if you -- you know, if  
22 you look at them, the actual multiple is [REDACTED], and that  
23 would get you there.

24      Q. So why didn't you put [REDACTED] -- whatever it is you  
25 said in your equation on Paragraph 27?

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1           A. As presentation, you know, typically, you show  
2       multiples like a 1.1, 1.2, 0.9. I absolutely could've  
3       expanded it and showed more of the decimal places.

4 (Exhibit No. 10 introduced.)

5 Q. (By Mr. Dean) I'm looking at the guideline  
6 company transaction summary, which I'm going to mark as  
7 Exhibit 10. That was provided by counsel, and I will show  
8 it to you right here.

9 I see it says █ as the median, and not █ and  
10 some other decimal. So, again, where is that in the  
11 information we've been provided that shows a number higher  
12 than the █?

13           A. Well, on that spreadsheet, they're derived off  
14 of multiples that are up above. And the revenue multiples  
15 are derived off of the equation of revenue divided by the  
16 enterprise value, and it would not be difficult to run a  
17 median -- you know, redo those calculations, run the  
18 median, and find that it's not exactly █.

19 Q. So you used █ just for the sake of presentation  
20 when you wrote Paragraph 27?

21 A. Correct.

22 MR. RIKLIS: Objection. Form.

Q. (By Mr. Dean) You said correct?

A. Correct. It was for presentation. That's

25 generally how multiples are shown. I mean, I -- yes, we

Hadnagy, et al. v. Moss, et al

Benjamin Thomas, CPA, CFE

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1 A. 2019 to 2020, 32 percent.

2 Q. And then the next year, it only grew  
3 [REDACTED] percent; is that right?

4 A. It grew five and a half percent into 2021 to  
5 [REDACTED].

6 Q. Do you know why it only grew [REDACTED] versus  
7 the [REDACTED]?

8 A. Specifically, no. I mean, I think we've talked  
9 about this a bit. You know, this activity of the business  
10 through acquiring more work, retaining the work that they  
11 previously had, growing the business.

12 Q. Did you review any projections from 2020 to 2021  
13 of what Chris Hadnagy or Social-Engineer believed that the  
14 company would grow?

15 A. I have not seen projections.

16 Q. Is it typical for companies to have years where  
17 they go down 11 percent, up [REDACTED], down [REDACTED]?

18 A. Up [REDACTED]?

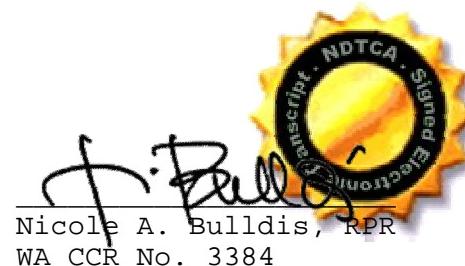
19 Q. Sorry, I guess up [REDACTED]. So kind of like if  
20 you're looking at a chart graph, it almost kind of looks  
21 like, you know, someone on a monitor like an EKG where  
22 it's going up and down and there's peaks and valleys?

23 A. Well, I don't see that here. I mean, we have --  
24 we have a softening a little bit in 2019, but I wouldn't  
25 call it an EKG drop. And then you have an increase from

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1 C E R T I F I C A T E  
2  
3 STATE OF ARIZONA )  
4 COUNTY OF MARICOPA )  
5  
6 I, Nicole A. Bulldis, RPR, a Certified Court  
7 Reporter, do hereby certify under the laws of the State of  
Washington:  
8  
9 That the foregoing videotaped deposition upon  
oral examination of Benjamin Thomas was taken  
stenographically by me, via Zoom, on November 4, 2024, and  
transcribed under my direction;  
10  
11 That the witness was duly sworn by me to testify  
truthfully, and that the transcript of the deposition is  
full, true, and correct to the best of my ability;  
12  
13 That I am not a relative, employee, or counsel  
of any party to this action or relative or employee of  
such counsel, and that I am not financially interested in  
the said action or the outcome thereof.  
14  
15 Reading and signing was not requested pursuant  
to FRCP Rule 30(e).  
16  
17  
18 IN WITNESS WHEREOF, I have hereunto set my hand  
19 this 5th day of November 2024.  
20  
21  
22  
23  
24  
25

Nicole A. Bulldis, RPR  
WA CCR No. 3384

BUELL REALTIME REPORTING, LLC  
206.287.9066 | 800.846.6989

# Exhibit B

Transaction ID	Target SIC General	Target SIC 1	Target SIC 2	Target SIC 3
32151-1	73	7371	7374.0	
45470-1	73	7372		
16571-1	73	7372		
58794-1	73	7373	7374.0	7379.0
50250-1	73	7373		
34996-1	73	7373		
18736-1	73	7374		
37170-1	73	7379		
30370-1	73	7379		
56658-1	87	8748		
52323-1	87	8748	5734.0	
53753-1	87	8748	7373.0	
38927-1	87	8748		
17242-1	87	8748		

Target NAICS General	Target NAICS 1	Target NAICS 2	Target NAICS 3	Target Name
541	541511	518210.0		Delphlis, Inc.
541	541511			AppRiver, LLC and Subsidiaries
513	513210			Red Condor, Inc.
541	541512	518210.0	541519.0	
541	541512			Technologyville, Inc.
541	541512			
518	518210			
541	541519			
518	518210			
541	541690			Aurora Systems Consulting, Inc.
541	541690	449210.0		
541	541690	541512.0		
541	541690			CynergisTek, Inc.
541	541690			Zytel Corporation

Target Business Description	Target Type	Target Structure	Franchise	Dev
videoforinformation Security Solutions, Personal Health Records, Financial Information, and Corporate Intellectual Properties Through Professional Services	Private	C Corporation	No	No
videoforEmail Security Solutions to Businesses	Private	C Corporation	No	No
videoforEmail Security Products that Eliminate Spam and Viruses	Private	C Corporation	No	No
videoforOutsourced IT Services, including Cloud and Local Backups, Spam Filtering, Cyber Security, Networking and Domain Administration, and Web Management	Private	LLC	No	No
videoforInformation Technology Support Services and Security	Private	S Corporation	No	No
videoforSecurity Software Company Primarily Serving Public and Private Schools	Private	S Corporation	No	No
videoforServer Security	Private	S Corporation	No	No
videoforManagement Services Provider - Network Management, Cloud Security, Remote Backups, Hosting and Secure Remote Access Services	Private	C Corporation	No	No
videoforSecurity Consulting	Private	S Corporation	No	No
videoforCyber Security Consulting and Sells Cyber Security Hardware/Software	Private	No	No	No
videoforInformation Technology (IT) Consulting Firm Specializing in Network Engineering and Cybersecurity	Private	LLC	No	No
videoforInformation Technology Security Consulting Services	Private	C Corporation	No	No
videoforSecurity and Mission Systems in Support of Critical Intelligence, Counterterrorism, and Cyber Warfare Missions	Private	C Corporation	No	No

Target Age	Target Employee Count	Target Country	Target City	Target State
17.0	230.0	United States	San Clemente	CA
29.0	4.0	United States	Rohnert Park	CA
15.0		United States	Sacramento	CA
9.0	14.0	United States	Algonquin	IL
25.0	50.0	United States	Richmond	VA
15.0		United States	TX	
15.0	45.0	United States	Mid Atlantic	PA
20.0		United States	Denver	CO
20.0	20.0	United States	FL	
13.0		United States	Torrance	CA
		United States	Washington	DC
		United States	Austin	TX
		United States	Ft. Meade	MD

Target Region	Acquirer SIC	Acquirer Type	Acquirer Name	Acquirer CIK
Pacific	7389.0	Public	Auxilio, Inc.	1011432.0
South Atlantic	7373.0	Public	Zix Corporation	855612.0
Pacific	7372.0	Public	St. Bernard Software, Inc.	1288496.0
Pacific		Private		
East North Central	7372.0	Public	Cerberus Cyber Sentinel Corporation	1777319.0
South Atlantic		Private		
West South Central		Private		
Mid-Atlantic		Private		
Mountain		Private		
South Atlantic		Private		
Pacific	7379.0	Public	Plurilock Security Inc. (formerly, Libby K Industries Inc.)	
South Atlantic		Private		
West South Central	7389.0	Public	Auxilio, Inc.	1011432.0
South Atlantic	8711.0	Public	Global Defense Technology & Systems, Inc.	1471038.0



Acquirer State	Acquirer Zip Code	Income Statement Type	Latest Full Year Income	Restated Income
CA	92691	Tax Return/P&L	Yes	No
TX	75204	Tax Return/P&L	Yes	No
CA	92128	Tax Return/P&L	Yes	No
		Tax Return/P&L	No	Yes
AZ	85258	Tax Return/P&L	Yes	No
		Tax Return/P&L	Yes	No
		Tax Return/P&L	Yes	No
		Tax Return/P&L	Yes	No
		Tax Return/P&L	Yes	No
		Tax Return/P&L	Yes	No
BC	V8W 1H2	Tax Return/P&L	Yes	No
		Tax Return/P&L	Yes	No
CA	92691	Tax Return/P&L	Yes	No
VA	22102-5011	Tax Return/P&L	Yes	No

Income Statement Date	Net Sales	Cost of Goods Sold	Gross Profit	Rent
2013-12-31	916406	1037630	-121224	32859.0
2016-12-31	70915132	35215988	35699144	1021537.0
2009-12-31	1659000	1581000	78000	218000.0
2022-12-31	1321778	828863	492915	38923.0
2019-12-31	2159476	682436	1477040	
2015-12-31	678950	132494	546456	17502.0
2011-12-31	4396414	919550	3476864	50700.0
2016-12-31	94338716	76560320	17778396	0.0
2012-09-01	2663000	1662000	1001000	66000.0
2020-12-31	4018324	0	4018324	168000.0
2020-12-31	28136389	26713508	1422881	
2019-12-31	13082878	10247954	2834924	
2015-12-31	11788988	5684479	6104509	87335.0
2009-12-31	15236000	10544000	4692000	

Owner's Compensation	Other Operating Expenses	Depreciation and Amortization	Total Operating Expenses	Operating Profit
	52921.0	310060	-431284	
	1131491.0	32303919	3395225	
	260000.0	5465000	-5387000	
0.0	0.0	192331	300584	
	153408.0			
		6905.0	1383441	93599
82656.0	261546.0	10200.0	371904	174552
531133.0	2364205.0	0.0	2946038	530826
0.0	10346528.0	20000.0	10366528	7411868
	722000.0	119000.0	907000	94000
100000.0			3224120	794204
		1690.0	1276380	146501
		31364.0	977583	1857341
		56137.0	3368461	2736048
			2361000	2331000

Interest Expense	Interest Income	Other Non-Operating Expenses	Other Non-Operating Income	Earnings Before Taxes
5760.0	3.0	0.0	0.0	-437041
22177.0	1606.0	166711.0	40687.0	3248630
39000.0	0.0	1000.0	0.0	-5427000
0.0	0.0	0.0	0.0	300584
14097.0	0.0	0.0	0.0	79502
755.0	0.0	0.0	0.0	173797
0.0				530826
0.0	0.0	0.0	20000.0	7431868
51000.0				43000
7152.0	0.0	0.0	0.0	787052
				138600
0.0	0.0	0.0	0.0	1857341
496.0	1093.0	0.0	0.0	2736645
143000.0	3000.0	0.0	4000.0	2195000

Tax Expense	Tax Benefit	Net Income	Net Sales FY+1	Net Sales FY-1
800.0	0.0	-437841.0		
0.0	0.0	3248630.0		60653730.0
0.0	0.0	-5427000.0		
0.0	0.0	300584.0		1353777.0
0.0	0.0	79502.0		
17918.0	0.0	155879.0		
0.0		530826.0		
0.0	0.0	7431868.0		
0.0	0.0	787052.0		3378288.0
3404.0	0.0	135196.0		19085434.0
0.0	0.0	1857341.0		
43221.0	0.0	2693424.0		7992928.0
894000.0	0.0	1301000.0		



SDE FY-1	SDE FY-2	EBITDA FY+1	EBITDA	EBITDA FY-1
		-378363.0		
		4526716.0	2542076.0	
		-5127000.0		
285457.0	244776.0	300584.0		
		100504.0		
		184752.0		
		530826.0		
		7431868.0		
		213000.0		
509616.0		794204.0	412116.0	
		148191.0	154395.0	
		1888705.0		
		2792185.0	2085990.0	

EBITDA FY-2	EBITDA FY-3	EBITDA FY-4	EBIT	EBITDAR
			-431284	-345504.0
			3395225	5548253.0
			-5387000	-4909000.0
			300584	339507.0
			93599	
			174552	202254.0
			530826	581526.0
			7411868	7431868.0
			94000	279000.0
			794204	9622204.0
			146501	
			1857341	
			2736048	2879520.0
			2331000	

Balance Sheet Date	Cash and Equivalents	Accounts Receivable	Inventory	Other Current Assets
2014-06-30	5000.0	372000.0		
2016-12-31	5612492.0	3217993.0	0.0	2802906.0
2010-06-30	145000.0	945000.0	80000.0	113000.0
NaT				
2020-03-31	33095.0	73161.0	0.0	0.0
NaT				
2011-12-31	927199.0	60842.0	0.0	82288.0
2016-12-31	3633896.0	17909314.0	0.0	156513.0
2012-09-01	38000.0	393000.0	83000.0	0.0
NaT				
2020-12-31	943855.0	5272145.0	0.0	85134.0
2019-12-31	2198963.0	1991166.0	0.0	163585.0
2016-09-30	53500.0	4472342.0	0.0	12200.0
2010-09-30	1441000.0	2675000.0	0.0	182000.0

Total Current Assets	Fixed Assets	Real Estate	Total Intangibles	Other Noncurrent Assets
377000.0	80000.0			
11633391.0	2470589.0	0.0	0.0	78336.0
12833000.0	320000.0	0.0	0.0	36000.0
106256.0	58693.0	0.0	0.0	0.0
1070329.0	608655.0	0.0	1500000.0	141268.0
21699723.0	650578.0	0.0	337059.0	0.0
514000.0	194000.0	0.0	0.0	10000.0
6301134.0	0.0	0.0	0.0	0.0
4353714.0	0.0	0.0	0.0	0.0
4538042.0	116015.0	0.0	0.0	0.0
4298000.0	0.0	0.0	0.0	0.0

Total Assets	Current Liabilities	Long-Term Liabilities	Total Liabilities	Stockholder's Equity
457000.0	731000.0	0.0	731000.0	-274000.0
14182316.0	15778473.0	224946.0	16003419.0	-1821103.0
1639000.0	4201000.0	985000.0	5186000.0	-3547000.0
164949.0	164782.0	43824.0	208606.0	-43657.0
3320252.0	1588543.0	1421875.0	3010418.0	309834.0
22687360.0	19406773.0	0.0	19406773.0	3280587.0
718000.0		328000.0	938000.0	-220000.0
6319055.0	5523633.0	148732.0	5672365.0	646690.0
4353714.0	1251209.0	0.0	1251209.0	3102505.0
4654057.0	5232774.0	0.0	5232774.0	-578717.0
4298000.0	2787000.0	0.0	2787000.0	1511000.0

PPA Available	Purchase Price Allocation Date	Cash and Equivalents PPA	Accounts Receivable PPA	Inventory PPA
Yes	2014-07-07			
Yes	2019-02-20			
Yes	2010-08-02			
No	NaT			
Yes	2020-06-30	65037.0	80289.0	0.0
Yes	2016-05-01	0.0	0.0	22000.0
No	NaT			
No	2017-03-15			
No	NaT			
Yes	2017-01-13	754125.0	1726398.0	0.0
Yes	2010-10-01			



Backlog PPA	Developed / Existing Technology PPA	In-Process R&D PPA	Trade Name / Trademark PPA	Non-Compete Agreement PPA
0.0	41100000.0	0.0	4400000.0	0.0
0.0	1321000.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0
0.0	8150000.0	0.0	1550000.0	200000.0
200000.0	0.0	0.0	50000.0	0.0

Other Intangibles PPA	Total Identifiable Intangibles PPA	Goodwill PPA	Total Intangibles PPA	Other Noncurrent Assets PPA
1000000.0	137500000.0	147220000.0	284720000.0	4550000.0
0.0	1321000.0	64000.0	1385000.0	0.0
0.0	0.0	1356360.0	1356360.0	0.0
0.0	25000.0	422000.0	447000.0	0.0
0.0	12050000.0	16416063.0	28466063.0	0.0
0.0	4550000.0	22106000.0	26656000.0	

Total Assets PPA	Interest-Bearing Liabilities PPA	Total Liabilities PPA	Customer Relationships / Lists Life	Backlog Life
2922000.0	464000.0	731000.0		
304762000.0	0.0	28403000.0	8 Years	
2928000.0		2107000.0		
1560379.0	84601.0	203471.0		
525000.0	0.0	0.0		
31403682.0	0.0	3073037.0		
			15 Years	1 Year

Developed / Existing Technology Life	In-Process R&D Life	Trade Name / Trademark Life	Non-Compete Agreement Life	Other Intangibles Life
				3 Years
		10 Years		
			5 Years	
			2 Years	
			2 Years	
			5 Years	
			5 Years	
			5 Years	
			3 Years	
			5 Years	
			1 Year	

Sale Initiation Date	Sale Date	Days To Sell	Percentage Acquired	Asking Price
NaT	2014-07-07	1		
NaT	2019-02-20	1		
NaT	2010-08-02	1		
2022-04-04	2023-06-02	424.0	1	1300000.0
NaT	2020-05-25	1		
NaT	2016-05-01	1		
2011-01-06	2012-04-04	454.0	1	15000000.0
2017-01-03	2017-03-15	71.0	1	49500000.0
NaT	2012-09-01	1		
NaT	2021-12-31	1		15000000.0
NaT	2021-03-31	1		
NaT	2020-07-14	1		
NaT	2017-01-13	1		
NaT	2010-10-01	1		

MVIC Price	Pure Play MVIC	Debt Assumed	Amount Down	Transaction Costs
2655000	2545000.0	464000.0	2191000.0	
276359000	288011000.0	0.0	276359000.0	7800000.0
1041000	1615000.0	220000.0	821000.0	
1100000		0.0		
1441509	1415053.0	84601.0	1356908.0	
525000	503000.0	0.0	525000.0	
12900000	12900000.0	0.0	10400000.0	
49500000	47207050.0	0.0	49500000.0	
2127500	2044500.0	0.0	1795625.0	
15000000		0.0	15000000.0	
1274114	645345.0	0.0	1184114.0	50000.0
13340000	13340000.0			
26002645	26276720.0	0.0	11402645.0	79755.0
27447000	25936000.0	0.0	27447000.0	

Amount Seller Financed	Acquirer Note Paid	Acquirer Personal Guarantee	Down Payment Percentage	Seller Financing Percentage
0.0	No	No	1.0	
	No	No	1.0	0.0
	No	No	1.0	
	Yes	No		
0.0	No	No	1.0	0.0
0.0	No	No	1.0	0.0
2500000.0	Yes	No	0.81	0.19
0.0	No	No	1.0	0.0
331875.0	Yes	No	0.84	0.16
0.0	No	No	1.0	0.0
0.0	No	No	0.93	0.0
No	No	No		
9000000.0	Yes	No	0.44	0.35
	No	No	1.0	

3/28/25

ssured in the amount of \$464,000.

Deal Terms

– total debt in the amount of \$220,000.

Assumed 84,601.

88 shares of the acquirer's common stock valued at approximately \$377,400.

Stock with a value of approximately \$2,800,000 (the stock has piggyback registration rights) and the issuance of two promissory notes totaling \$9,000,000 that bear 8% interest for 24 months with a balloon payment due on maturity.

Renewal Option	Lease Length	Lease Terms	Real Estate Acquired	Rent/EBITDAR
No	Month to month	No	-0.0951	0.1841
No	Payments total \$83/month and NNN is 0.	No	-0.0444	0.1146000000000001
No	Security deposit is	No		
No	Lease payments of \$1500 a month	No	0.0865000000000001	
No	22.0	No		
Yes	40.0	Not Disclosed	0.0872	
No		Yes	0.0	
Yes	9.0	Renewable upon lease expires on 09/30/2025. The lease was an assumed lease commitments through 2020 total	No	0.2366
No	45.0	No	0.1746	
No		No		
No		No		
No		No		
No		No	0.0302999999999997	
No		No		

Rent/Sales	Sales Per Square Foot	Non-Compete Agreement	Non-Compete Length (months)	Non-Compete Description
0.0359		No		
0.0144		No		
0.1314000000000002		No		
0.0294	777.52	Yes	60.0	50-mile radius.
		Yes	24.0	
0.0258		Yes	24.0	Richmond Metropolitan Area
0.0115		Yes	60.0	United States
0.0		Yes	60.0	200 mile radius
0.0248	436.49	Yes	60.0	United States
0.0418	472.74	Yes	36.0	1000 mile radius
		No		
		Yes	60.0	
0.0074		Yes		
		No		

es payable to officers (\$464,000). Net assets acquired \$2,191,000.

dw/147,220,000, Current liabilities (13, 532, 000), Deferred revenue (10,321,000), Operating lease liabilities (4, 550, 000), for a total purchase price of 276,359,000.

Book Value Invested Capital	MVIC/Net Sales	MVIC/Gross Profit	MVIC/EBITDA	MVIC/EBIT
-274000.0	2.9			
-1596157.0	3.9	7.74	61.05	81.4
-2562000.0	0.63	13.35		
	0.83	2.23	3.66	3.66
167.0	0.67	0.98	14.34	15.4
	0.77	0.96	2.84	3.01
1731709.0	2.93	3.71	24.3	24.3
3280587.0	0.52	2.78	6.66	6.68
1080000.0	0.8	2.13	9.99	22.63
	3.73	3.73	18.89	18.89
795422.0	0.05	0.9	8.6	8.7
3102505.0	1.02	4.71	7.06	7.18
-578717.0	2.21	4.26	9.31	9.5
1511000.0	1.8	5.85		11.77

MVIC/SDE	MVIC/BVIC	PPMVIC/Net Sales	PPMVIC/Gross Profit	PPMVIC/EBITDA
	2.78			
	4.06	8.07		63.62
	0.97	20.71		
3.66				
	8631.79	0.66	0.96	14.08
1.96		0.74	0.92	2.72
12.15	7.45	2.93	3.71	24.3
6.66	15.09	0.5	2.66	6.35
	19.7	0.77	2.04	9.6
16.77				
	1.6	0.02	0.45	4.35
	4.3	1.02	4.71	7.06
		2.23	4.3	9.41
	18.16	1.7	5.53	

PPMVIC/EBIT	PPMVIC/SDE	PPMVIC/BVIC	Sales Growth FY+1	Sales Growth
84.83				0.1692000000000002
				-0.0236
15.12		8473.37		
2.88	1.88			
24.3	12.15	7.45		
6.37	6.35	14.39		
21.75		18.93		
				0.1895
4.41		0.81		0.4742
7.18		4.3		
9.6				0.4749000000000004
11.13		17.16		



Net Sales 4Y CAGR	Gross Profit Margin before Operating and Net	Operating Profit Margin	Net Profit Margin after Gross and Operating	SDE Margin FY+1
-0.1323	-0.4706	-0.4778		
0.5034000000000001	0.0479	0.0458		
0.047	-3.247099999999997	-3.2712		
0.3729	0.2274	0.2274		
0.684	0.0433	0.0368		
0.8049	0.2571	0.2296		
0.7908	0.1207	0.1207		
0.1885	0.0786	0.0788		
0.3759	0.0353			
1.0	0.1976000000000003	0.1959		
0.0506	0.0052	0.0048		
0.2167	0.142	0.142		
0.5178	0.2321	0.2285		
0.308	0.153	0.0853999999999999		

SDE Margin	SDE Margin FY-1	SDE Margin FY-2	EBITDA Margin FY+1	EBITDA Margin
			-0.4129	
			0.0638	
			-3.0904000000000003	
0.2274	0.2109	0.2059	0.2274	
0.2416			0.0465000000000001	
0.3939000000000003			0.2721	
0.0788			0.0788	
0.2225	0.1509		0.08	
			0.1976000000000003	
			0.0053	
			0.1444	
			0.2368	

EBITDA Margin FY-1	EBITDA Margin FY-2	EBITDA Margin FY-3	EBITDA Margin FY-4	Return on Assets
0.04190000000000001			-0.9581000000000001	0.2291
			-3.3112	
			0.482000000000004	
			0.159900000000001	
			0.3276	
0.122				
0.00810000000000001			0.0214000000000002	
			0.4266	
0.261			0.5787	
			0.3026999999999997	

Return on Equity	Current Ratio	Quick Ratio	Fixed Charge Coverage	Long-Term Liabilities to Assets
1.598	0.52		-74.88	0.0
-1.783899999999998	0.74	0.74	153.1	0.0159
1.53	0.31	0.29	-138.13	0.601
-1.821100000000002	0.64	0.64	6.64	0.2657
			231.19	
1.7133	0.67	0.67		0.4282
2.2654	1.12	1.12		0.0
			1.84	0.4568
			111.05	
0.2091	1.14	1.14		0.0235
0.5987	3.48	3.48		0.0
-4.654100000000001	0.87	0.87	5516.23	0.0
0.861	1.54	1.54	16.3	0.0

Long-Term Liabilities to Equity	Total Asset Turnover	Fixed Asset Turnover	Inventory Turnover	Live Date
0.0	2.01	11.46		2018-08-14
-0.1235	5.0	28.7		2019-09-10
-0.2777	1.01	5.18	20.74	2018-08-14
				2023-06-09
-1.0038	13.09	36.79		2020-08-19
				2018-08-14
4.5892	1.32	7.22		2018-08-14
0.0	4.16	145.01		2018-08-14
-1.4909000000000001	3.71	13.73	32.08	2018-08-14
				2022-09-19
0.23	4.45			2021-06-01
0.0	3.01			2022-07-11
0.0	2.53	101.62		2018-08-14
0.0	3.54			2018-08-14

Filing Date 8-K	Filing Date 8-K/A	Other Filing Type	Other Filing Date	Source
2014-07-08	2014-09-11	10-Q	2014-08-14	SEC
2019-02-22	2019-05-09	10-Q	2019-05-09	SEC
2010-03-03	2010-10-13		NaT	SEC
NaT	NaT		NaT	Other
2020-05-29	2020-08-10		NaT	SEC
NaT	NaT		NaT	IBBA
NaT	NaT		NaT	IBBA
NaT	NaT		NaT	Other
NaT	NaT		NaT	AM&AA
NaT	NaT		NaT	BBF
NaT	NaT	Business Acquisition Report	2021-04-09	SEDAR
NaT	NaT		NaT	M&A Source
2017-01-17	2017-03-31	10-Q	2017-05-10	SEC
2010-10-07	2011-03-04		NaT	SEC







Close Date	Target Company Description	Guideline Transaction Summary & Valuation Multiples			Enterprise Value-to-Revenue
		Enterprise Value	Revenue	EBITDA	
Jul 7, 2014	Provides Information Security Solutions, Personal Health Records, Financial Information, and Corporate Intellectual Properties Through Professional Services	\$ 2,655	\$ 916	\$ (378)	2.9 x
Feb 20, 2019	Provides Email Security Solutions to Businesses	\$ 276,359	\$ 70,915	\$ 4,527	3.9 x
Aug 2, 2010	Provides Email Security Products that Eliminate Spam and Viruses	\$ 1,041	\$ 1,659	\$ (5,127)	0.6 x
Jun 2, 2023	Provides Outsourced IT Services, including Cloud and Local Backups, Spam Filtering, Cyber Security, Networking and Domain Administration, and Web Management	\$ 1,100	\$ 1,322	\$ 301	0.8 x
May 25, 2020	Information Technology Support Services and Security	\$ 1,442	\$ 2,159	\$ 101	0.7 x
May 1, 2016	Network Security	\$ 525	\$ 679	\$ 185	0.8 x
Apr 4, 2012	Security Software Company Primarily Serving Public and Private Schools	\$ 12,900	\$ 4,396	\$ 531	2.9 x
Mar 15, 2017	Cyber Security	\$ 49,500	\$ 94,339	\$ 7,432	0.5 x
Sep 1, 2012	Managed Services Provider - Network Management, Cloud Security, Remote Backups, Hosting and Secure Remote Access Services	\$ 2,128	\$ 2,663	\$ 213	0.8 x
Dec 31, 2021	Cybersecurity Consulting	\$ 15,000	\$ 4,018	\$ 794	3.7 x
Mar 31, 2021	Provides Cyber Security Consulting and Sells Cyber Security Hardware/Software	\$ 1,274	\$ 28,136	\$ 148	0.0 x
Jul 14, 2020	Information Technology (IT) Consulting Firm Specializing in Network Engineering and Cybersecurity	\$ 13,340	\$ 13,083	\$ 1,889	1.0 x
Jan 13, 2017	Information Technology Security Consulting Services	\$ 26,003	\$ 11,789	\$ 2,792	2.2 x
Oct 1, 2010	Cyber Security and Mission Systems in Support of Critical Intelligence, Counterterrorism, and Cyber Warfare Missions	\$ 27,447	\$ 15,236	\$ 1.8 x	
Summary Statistics					
<b>75th Percentile</b>	<b>High</b>	<b>\$ 276,359</b>	<b>\$ 94,339</b>	<b>\$ 7,432</b>	<b>3.9 x</b>
<b>Mean</b>	<b>\$ 23,252</b>	<b>\$ 14,698</b>	<b>\$ 1,889</b>	<b>\$ 2.7 x</b>	
<b>Median</b>	<b>\$ 30,765</b>	<b>\$ 17,951</b>	<b>\$ 1,031</b>	<b>1.6 x</b>	
<b>25th Percentile</b>	<b>\$ 7,778</b>	<b>\$ 4,207</b>	<b>\$ 301</b>	<b>0.9 x</b>	
<b>Low</b>	<b>\$ 1,316</b>	<b>\$ 1,784</b>	<b>\$ 148</b>	<b>0.7 x</b>	
<b>CoV</b>	<b>2.34</b>	<b>\$ 525</b>	<b>\$ 679</b>	<b>(5,127)</b>	<b>0.0 x</b>
		<b>1.61</b>	<b>2.81</b>		<b>0.79</b>